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You probably hadn't heard the acronym SCHIP before. But you are certainly hearing plenty now. SCHIP stands for State Children's Health Insurance Program. This program was started back under the Republican-controlled Congress in 1997 to give federal matching money to states to assist in providing health insurance for currently uninsured, low-income children who don't qualify for Medicare. Hence the name. What we are now fighting about in Washington is a Democratic proposal to expand this program significantly beyond its original purpose, while massively increasing the cost and throwing in a tax increase and more deficit spending in the bargain. This week, the President vetoed this terrible legislation, and we in the House will vote on October 17th on whether to sustain his veto. (146 are needed to sustain a presidential veto).

about this bill:

- Max Baucus (D-MT), Chairman of the Senate Finance Committee and one of the chief architects of this bill said "everyone realizes that the goal of this legislation moves us a giant step further down the road to nationalizing health care." At least he is honest about the real purpose of the legislation.

- The program, which creates \$71.5 billion in new spending, is supposedly financed by an increased tax on tobacco products. This tax includes, for example, raising the tax on cigars to a whopping 53% to a maximum of \$3 per cigar! If you want to see all of the tax increases, go see my blog at [www.greeneyeshadeblog.com](http://www.greeneyeshadeblog.com). Now, I don't smoke, and I don't like smoking. But this is just a punitive and regressive tax on an element of the population who enjoys something and understands the risks. I would argue that we all do or consume something we know is bad for us, but we enjoy none the less.

- Even with the tobacco tax increase, they need everyone in America who is smoking now to keep smoking and buy legal cigarettes, AND they will need 22 million more Americans to take up smoking just to raise the revenue they claim to raise.

- The bill more than doubles spending in the first 5 years, but then, at the eleventh hour, reduces it by 80%! That's right 80%! Why? Because they want to give the appearance of not increasing the deficit. So, either they will cut the program to much less than its current level 5 years out, thereby throwing most of those people out of the program at that point, or they will continue the program at a massive deficit. It's one or the other.

- Although the legislation says that illegal aliens are not covered, they relaxed the verification procedures so that anyone who says they are eligible, and gives a Social Security number, must be immediately covered. No identification is required. Even if those names and numbers were checked, it will be difficult to find fraud without any ID, and it would take months or years to discover it and then remove the person from the program. This seems to be the pro-illegal immigration caucus' strategy these days. Ban benefits to illegals in statute but eliminate any enforcement so that they get the benefits anyway.

- The legislation will allow coverage of children and their parents, and childless couples and pregnant women with incomes up to \$82,000 per year. Only in a Congress controlled by Democrats can a single family be poor enough to receive government healthcare, but simultaneously rich enough to have to pay the Alternative Minimum Tax. At that income level, you can be both.

- The proponents of the legislation claim that it will add 4 million more children to government health care. That is true. What they don't tell you is that 2 million of those children already have private health insurance today, paid for by their parents or their parent's employer. So they will drop that coverage and take the free government coverage.

So it is a giant step towards socialized medicine that punitively raises taxes, increases the deficit, covers a whole lot of people who are middle class and currently have their own insurance while allowing these benefits for illegal aliens by eliminating enforcement mechanisms. Other than that.....it's great! (Heavy sigh)

Even Subprime Reform gets Partisan: If there's one thing here I thought could be done on a bipartisan basis, it is some reforms intended to help ease the housing credit crunch and foreclosure glut that exists out there. Even this small government libertarian agrees that there are changes we need to make in existing government institutions to deal with the current situation. These include making the jumbo loan threshold vary based on average housing price in the market, and more lending authority along with more regulation of Fannie Mae and Freddie Mac. We also should have more clear disclosures in loan obligations amongst other things.

There is agreement on all of that. But unfortunately, the majority Democrats have again decided to create their own proposal without any input from Republicans, and to include provisions they know will be poison pills to Republicans, and likely the President as well. And that is because those poison pills will dry up mortgage money further, rather than make it more available. One of these provisions would make loan originators and securitizers liable for any loan where the borrower has "no reasonable ability to repay that loan" at any time in the first 7 years. This provision is just candy for trial lawyers. There is a tremendous market incentive for lenders to not make loans to people who cannot afford them. That incentive is that the borrower will not pay them back. That is why so many subprime lenders are now bankrupt. If you add to that a provision where a borrower, in addition to not paying the loan back, can later sue the lender and actually make money on the deal, no lender will want to loan to anyone who is not quadruple A, and you will have a rash of unqualified borrowers trying to get loans so they cannot pay them back, and then sue.

This bill will likely hurt the cause of freeing up mortgage money rather than help it. The economy is too fragile right now to have either party throwing bones at their constituencies. I hope we can fix this.